

June 9, 2006

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Division Clerk  
RI Division of Public Utilities & Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

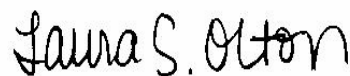
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets  
Responses to Division Data Requests 9-1, 9-3 through 9-6, and 9-9**

Dear Ms. Massaro:

Enclosed please find five (5) copies of responses from The Narragansett Electric Company, d/b/a National Grid, to the ninth set of data requests issued by the Division on June 1, 2006, in the above-captioned proceeding. This set includes responses to data requests 9-1, 9-3 through 9-6 and 9-9.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 9-1

Request:

Referring to the response to Division 1-9, what are the savings to National Grid in excess of gross savings to RI gas operations?

Response:

In the response to Division Data Request 1-9, the Company estimated that the gross savings on a National Grid system-wide basis was expected to be between \$12 million and \$16 million. The Company has since updated its estimate and now expects total gross system-wide savings to be approximately \$19 million. Of this amount, the potential gross savings to the Rhode Island gas business is estimated to be approximately \$1.6 million. In addition, the Company estimates that potential gross savings to the Rhode Island electric business will be approximately \$3.3 million.

Division Data Request 9-3

Request:

Referring to the response to Division 6-8, are the referenced costs recorded on the books of Narragansett (note use of FERC accounts)? Same for response to 6-10.

Response:

Yes, these costs are charged to Narragansett to the FERC accounts listed in the original response as they are incurred.

Division Data Request 9-4

Request:

Referring to the response to Division 7-1, explain the method of valuing the pension assets that will be transferred to National Grid.

Response:

The New England Gas pension assets account for approximately 50% of the Southern Union master trust. JP Morgan/Bank One is the trustee/custodian. Typically, trusts are valued monthly at the closing price of the market, and New England Gas would receive its allocated share of the trust at month-end. We have not yet resolved the issue of the timing of the transfer of the assets, and there are additional issues concerning the fact that the master trust has a number of hedge fund investments. These hedge funds are primarily valued on a monthly basis, but some may have restrictions on liquidating interests in the funds or on transferring interests in the funds. We do not expect any of these issues to impact the ability of Southern Union to transfer the allocated assets in the pension trust, but there may well be some differences in timing of the transfer of the assets.

Division Data Request 9-5

Request:

Referring to the response to Division 7-5, if there is an accrued pension liability on the NEG balance sheet at the time of closing, will Narragansett contribute to the pension fund to eliminate that liability?

Response:

No, Narragansett will not fund the NEG pension plan at the time of merger to eliminate any accrued pension liability at that time. The Company intends to follow its current funding policy for The Narragansett Electric Company Pension Plan which is to fund the maximum tax deductible amount each year. However, if currently contemplated modifications to tax deductibility rules, which would significantly increase the maximum tax deductible allowance, are implemented, the Company may have to reassess its funding policies.

Division Data Request 9-6

Request:

Referring to the response to Division 7-4, if there is an accrued OPEB liability on the NEG balance sheet at the time of closing, will Narragansett contribute to the OPEB fund to eliminate that liability?

Response:

No. Narragansett will not fund the NEG OPEB plan at the time of merger to eliminate any accrued OPEB liability at that time. The Company intends to follow its current funding policy for The Narragansett Electric Company OPEB Plan which is to fund the maximum tax deductible amount each year for the nonunion plans, and to fund an amount equal to expense for the union plans.

Division Data Request 9-9

Request:

Referring to the response to Division 7-7, what is the balance of ADIT that will be eliminated?

Response:

According to the Earnings Sharing Mechanism calculation as submitted by New England Gas in RIPUC Docket 3690, for the twelve month period ended June 30, 2005, the plant related accumulated deferred taxes amounted to \$35.2 million as of June 30, 2005. The Company has not yet prepared a rollforward of that amount.

## Certificate of Service

I hereby certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon

Date: June 9, 2006

### **National Grid & Southern Union - Docket D-06-13 Updated Service List as of 5/15/06**

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